

Regulatory Announcement

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ViaLogy PLC

16 December 2008

ViaLogy PLC ("ViaLogy" or "the Company")

ViaLogy reports 'significant technical progress' in Interim Report

December 16th 2008. **ViaLogy PLC** today issued its Interim Report for the six-month period to September 30, 2008. The Company showed a loss for the period of £2,597,102, which included £1,176,605 for amortisation and depreciation. The amortisation charge relates to the value of ViaLogy's Intellectual Property and associated Research and Development, which is amortised over a total of six years. The cash outflow from operations during the six months was £1,348,898.

In a trading update accompanying the report ViaLogy's Chief Executive, Robert W. Dean, said that considerable progress is being made in the two sectors where it is focussing its principal commercial efforts, Safety and Security, and Oil and Gas. Working closely with San Antonio-based partner Atascosa Exploration LLP, ViaLogy has determined the location of an additional hydrocarbon gas reservoir. Using QuantumRD, ViaLogy's proprietary technology for geoseismic analysis that assesses the location, capacity and payout of hydrocarbon reservoirs, Atascosa plans to complete drilling in January 2009. ViaLogy is also fixing the location of another oil reservoir for Atascosa, and determining the optimal drill location. Drilling on this second project should also be completed in the January/February 2009 timeframe.

"Success with these projects will give ViaLogy a 5% working interest in their output, and should mark a major milestone in proof-of-concept acceptance of the QuantumRD technology by the oil and gas exploration industry," said Mr. Dean. "ViaLogy intends to market its QuantumRD product aggressively, and to enter immediately into additional drilling projects with Atascosa."

Mr. Dean also confirmed significant progress in productizing ViaLogy's core Intellectual Property, Quantum Resonance Interferometry (QRI™), with its application to precisely geolocate buried oil and gas pipeline. This application of QRI™ is branded as QSUB™. QRI™ itself is a tool for the extraction of hard-to-find information from sensor data that frustrate other software processing techniques; it has wide applicability in that it can be applied to data from virtually any type of sensor. Precisely locating buried pipeline more cost effectively than current techniques is a business service for which ViaLogy believes there is a substantial market, and for which ViaLogy believes QSUB™ has a direct and cost-cutting application. ViaLogy's work over the last six months has been to demonstrate a new approach that is dependable, robust, and meets pipeline industry criteria.

"We have not encountered any setback with the application of the QRI™ technology," said Mr. Dean. "Working within ViaLogy's resource constraints, and using multiple synthetic aperture radar data sets to confront the technology with a demanding variety of soil conditions, ViaLogy is showing that QSUB™ can both locate otherwise impossible-to-find buried metal objects, and improve radar's performance by determining when it produces false alarms. This work translates directly into the pipeline application. We hope to be able to report major milestones in the first quarter of 2009 about carrying the pipeline business forward."

In the Physical Security Information Management market, ViaLogy's flagship security software product SPM™ (Sensor Policy Manager™) has made major steps forward in the face of economic and business challenges in the security software business stemming from difficulties in the wider economy. "Our Canadian partner Axia Supernet has decided to expand a joint SPM™ air quality monitoring operational pilot as a step toward winning customer acceptance of a province-wide deployment. SPM™ is operating in Los Angeles County as the core piece of a chemical toxin early warning system sponsored by the US Department of Health & Safety and the Company expects this system to be expanded in LA County and further deployed to other major US cities. In cooperation with a major US defense contractor, ViaLogy has successfully integrated multiple perimeter surveillance radars into an Air Force Asian base

security system and ViaLogy expects further orders for other bases; SPM™ is also being evaluated for supporting US Army base security systems. In addition, one of ViaLogy's partners, Cisco Systems Inc, has put in place a targeted marketing effort for its COPSS integrated security solution; SPM™ is an integral part of COPSS and Cisco Systems Inc and ViaLogy are jointly approaching major potential customers. In summary, the Company has a growing sales pipeline for its SPM™ and looks toward substantial income in 2009.

Commenting on the Interim Report, ViaLogy's chairman, Terry Bond, said the board was pleased with the continuing progress being made by the company. In August 2008 ViaLogy raised £1.8 million by way of a placing of 45 million new ordinary shares at 4p per share. In addition, subject to shareholder approval which was subsequently given at the AGM, the placees received one warrant for every ordinary share purchased in the placing. Each warrant entitles the holder to purchase an additional ordinary share at 5p at any time up to 29 October 2011.

"Our work throughout 2008 has been carried out in an international financial and commercial environment that is the most difficult I have ever experienced," said Mr. Bond. "In such circumstances it is incumbent upon small companies such as ViaLogy, with a strong technology potential but yet to make its commercial mark, to be prudent in its financial planning. We have looked carefully at every aspect of our overhead expenditure and made cost savings wherever possible. In addition, directors and staff have agreed to make personal financial sacrifices to ensure the continued well-being of the Company and I thank them on behalf of the board and the shareholders."

For further information please contact:

ViaLogy

Robert W. Dean, President and CEO - US. +1 626-296-6337

Terry Bond, Chairman - UK & Europe +44 (0) 1235-834734

Nominated Adviser (Seymour Pierce)

Mark Percy +44 (0) 207-107-8000

Brokers

St. Helens Capital +44 (0) 207-628-5582

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